

Testimony by Bruce A. Cain
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Before the Commerce, Justice, State Appropriations Subcommittee
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Dear Commerce, Justice, State and Judiciary Subcommittee:

Thank you, Mr. Chairman and members of the Committee for inviting me to testify today on behalf of my partners, our company, and our industry. I would like to tell you about some of the experiences we have had and are continuing to have due to the impact of Chinese Imports on our business. But first, I would like to tell you a little bit about Xcel Mold. We have been in business since 1956 of which I have been there 33 years. I love my job and the guys that I've spent so much time with. We have 60 employees, 11 of which have been there longer than I have, but the average tenure is 25 years. We build molds and dies for the lighting, automotive, small appliance and household product industries.

I was invited to come here and testify on May 1 by Congressman Regula's office. Since then, I started saving auction flyers of shops around the country that are going out of business. In 22 days I have received 11 flyers. This is an alarming rate and has been happening for the last 2-3 years.

We quoted a mold for a local molder about 1 year ago. I called him 1 week later to see how our price was and he told me that our price was good, but we didn't get the job. He told that the mold was being made in China for free. The molding was also going to be done in China. Needless to say, we couldn't compete with their price.

From 1988-1998, 35% of our business was done with Black & Decker; however, we have not built a mold for them since 1999. The last mold that we built for them was a repeat mold. The first mold was built with an 18 week delivery. We did the second one in 5 ½ weeks. Now all of their molds are being made in China. Since that time we have only done repair work and very little of that. Another one of our customers (33% of our business over the last 4 years) started going to China in 2000. In 2000 they had 2 molds built in China; in 2001 7 molds were built in China. In 2002 they had 86 molds done offshore with roughly 65 of those being built in China and the remainder built in S. Korea. When you see how fast this is happening, it is mind boggling. When I see a report or study that is done on China, I know it is incorrect and obsolete because the information is already 6-12 months old. There are approximately 4000-5000 shops around the country and we are all feeling the effect of China; the average shop has about 25 employees.

In preparing for today, I decided to do a survey of area shops to get their opinion on the state of our industry and the changes that they have seen from 1996-2002 which I would like to share with you:

In 2001, we joined the American Mold Builder's Association. The AMBA has over 400 members around the country to promote and support the American mold builder. Since 2001, 17 members have gone out of business and 53 members were lost due to economic reasons. As you can see, this is a problem all over the country. One of our customers told me that a top mold maker in China makes around \$2.25/hr. with others making as little as \$.50/hr. Our top rate guys make \$18/hr. which is low compared to shops in big cities.

Although our industry is not in the best shape, Xcel has made some improvements to compete with the offshore mold builder. We have spent \$1.5 million over the last 5 years on machinery. Some of this has been at the expense of other shops that have gone out of business. When you go to an auction and get a good deal on the machine that you wanted, you are happy, but then you look around and realize there used to be 100 people working there. In our business, you have to buy faster machines to be cheaper and quicker. We know we can build a mold as fast as China, with better quality; we just can't match their price.

In my opinion, manufacturing could return by making a few changes. If the tariff to bring products into our country is 3.31% then for us to send items to China should be the same, not 29%. One half of China's exports come from foreign manufacturers. We should give businesses a tax break of 10%-15% to spend money here, not overseas or across the border.

In closing, I would like to invite you to get on the internet and go to TradeAlert.org for some interesting reading. Thank you for this opportunity to testify on this matter. I consider this a real honor to be here today before you gentlemen. I would be happy to answer any questions that you may have.